

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-07

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R 231716Z JAN 76 CORRECTED COPY FOR MCN

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 7169

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY TOKYO

AMEMBASSY ROME

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E. O. 11652: N/A

TAGS: EFIN, FR

SUBJECT FOREIGN EXCHANGE DEVELOPMENTS

REF: PARIS 2021

1. PARIS FOREX MARKET REPORTED MUCH CALMER TODAY WITH MINIMUM INTERVENTION BY BANK OF FRANCE. FRANC STRENGTHENED SOMEWHAT AGAINST THE DOLLAR, CLOSING AT 4.5015 BUYING AND 4.4915 SELLING. GOLD PRICE ROSE SLIGHTLY.

2. STRONG STATEMENTS BY FRENCH OFFICIALS, INCLUDING FINMIN FOURCADE'S CHARACTERIZATION OF SPECULATION ABOUT POSSIBLE FRANC DEVALUATION AS "ABSURD," MAY HAVE HAD CALMING EFFECT. EVIDENCE TODAY SUGGESTS THAT FRANC SPECULATION OF PREVIOUS TWO DAYS REPRESENTED A FAIRLY LIMITED FALLOUT FROM FOREX DEVELOPMENTS IN ITALY WHICH POSSIBLY HAS RUN ITS COURSE. HOWEVER, DESPITE FOURCADE
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STATEMENT AND COMPELLING REASONS FOR GOF TO REMAIN IN

EC "SNAKE," THE FRANC IS AND WILL REMAIN VULNERABLE TO
SPECULATIVE MOVEMENTS FOR SOME TIME TO COME. THE FACT
IS THAT THE MARKET KNOWS THAT A WITHDRAWAL FROM THE EC
"SNAKE" WOULD SYMBOLIZE FAILURE OF FRENCH ECONOMIC
POLICY AND A DISASTER FOR GISCARD'S PRESTIGE. THUS,
THE DETERMINATION TO REMAIN IN THE EC "SNAKE" ITSELF
ONE OF THE BASIC PREMISES FOR SPECULATION SINCE IT
PROVIDES A MEASURABLE TARGET AGAINST WHICH A WEAKENING
FRANC CONCEIVABLY COULD BE PUSHED.
RUSH

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